



## Risk and Audit Committee

# Agenda Item 6a

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**June 21, 2023**

**Item Name:** 2022-23 Annual Compliance Report

**Program:** Enterprise Compliance Office (ECOM)

**Item Type:** Information

### **Executive Summary**

This agenda item presents the FY 2022-23 Annual Compliance Report.

### **Strategic Plan**

This item supports the CalPERS 2022-25 Strategic Plan goal to “*cultivate a risk-intelligent organization*” and the strategic objective of providing enhanced compliance and risk functions throughout the enterprise.

### **Background**

The Annual Compliance Report summarizes CalPERS’ enterprise-wide compliance activities for each year. The FY 2022-23 Annual Compliance Report reflects the period of July 1, 2022, to June 30, 2023.

### **Analysis**

The Annual Compliance Report documents CalPERS’ most significant compliance-related activities and accomplishments, supporting effective Board oversight and enhancing transparency and public confidence.

Compliance awareness and risk management are integral to cultivating a high-performing, risk-intelligent, and innovative organization. CalPERS has embraced an Integrated Assurance model that incorporates compliance, risk, and governance practices as a multi-faceted approach to promoting compliance awareness and accountability.

The Integrated Assurance model centers on the “Three Lines of Defense” framework that distributes compliance activities within the organization as follows:

- **First Line of Defense** – The first level of the control environment is the program areas that perform day-to-day risk management activities.

- **Second Line of Defense** – The second level of the control environment is the oversight functions, such as ECOM which sets direction, defines policy, and provides assurance.
- **Third Line of Defense** – The third level of the control environment is internal audits, which provide independent assurance on the effectiveness of governance, risk management, and internal controls.

### **Budget and Fiscal Impacts**

This item does not have any specific budget or fiscal impacts but is part of the regular and ongoing workload of ECOM.

### **Benefits/Risks**

The establishment of an effective ethics and compliance program provides significant benefits to the organization by:

- Monitoring and testing to assure program area compliance.
- Reporting and disclosures that provide assurance related to conflicts of interest.

Implementing the activities outlined in this agenda reduces CalPERS' exposure to legal, financial, reputational, and operational risks from:

- Failure to comply with laws or regulations.
- The appearance of misconduct or noncompliance.

### **Attachments**

Attachment 1 – Annual Compliance Report – Fiscal Year Ended June 30, 2023

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